

**L'ANSE AREA SCHOOLS**  
**FINANCIAL STATEMENTS**  
**(With supplemental financial information)**  
**June 30, 2010**



WELCOME TO  
**L'Anse Area Schools**

**L'ANSE AREA SCHOOLS**

**JUNE 30, 2010**

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**ADMINISTRATION**

Superintendent .....	Ray Pasquali
High School Principal .....	Carrie Meyer
Middle School Principal .....	Robert Willman
Elementary Principal .....	Thomas Sprague

**BOARD OF EDUCATION**

President .....	Joan Bugni
Vice President .....	Jason Ayres
Treasurer .....	Anne Koski
Secretary .....	Patricia Loosemore
Trustee .....	Suzette Reilley
Trustee .....	Beth Dix
Trustee .....	Rene' Lehto

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Bruce A. Rukkila, CPA, PC

310 Sheldon Avenue • Houghton MI 49931  
(906) 482-6601 • Fax: (906) 482-9046  
e-mail: help@brucerukkila.com  
www.brucerukkila.com



## INDEPENDENT AUDITOR'S REPORT

To the Board of Education  
L'Anse Area Schools  
L'Anse, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of L'Anse Area Schools as of and for the year then ended June 30, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of L'Anse Area Schools' management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the *Michigan School Auditing Manual*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of L'Anse Area Schools as of June 30, 2010, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 12, 2010 on our consideration of L'Anse Area Schools' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 7 through 13 and 32, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise L'Anse Area Schools' basic financial statements. The additional information on pages 34 to 46 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying schedule of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The combining and individual non-major fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The additional information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we do not express an opinion or provide any assurance on it.

**Bruce A. Rukkila, CPA, PC**

Certified Public Accountants

November 12, 2010

**L'Anse Area Schools  
Management's Discussion and Analysis  
June 30, 2010**

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This section of the L'Anse Area Schools' annual financial report presents management's discussion and analysis of the District's financial performance during the year ended June 30, 2010. Please read it in conjunction with the District's financial statements, which immediately follows this section.

**Financial Highlights**

In the 2009 2010 fiscal year, the L'Anse Area Schools showed a decrease in student population, which reduced the full time equivalent (FTE) used for state funding calculations from 777.53 to 754.40 based on a three year blended average. This decrease of 23.13 FTE at \$ 7,316 per pupil decreased the state funding by \$169,219.08.

The District received \$463,000 less in Impact Aid payments for 2009-2010. The total of the 2009-2010 Impact Aid payments was \$291,444.57.

Even with spending reductions, the decrease in revenue caused a decrease in the fund balance of the District by \$77,802. The District remains in compliance with board policy with regards to the fund balance.

**Overview of the Financial Statements**

The annual report consists of a series of financial statements including other requirements as follows:

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.
- The Government-wide Financial Statements consists of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of the District as a whole and represent an overall view of the District's finances.

*Statement of Net Assets and the Statement of Activities*

These statements provide information that help determine how the District is doing financially as a result of the year's activities. The statements are shown using a full accrual basis.

The District's net assets and the changes in the net assets during the year are reported by these two statements. Increases or decreases in the District's net assets is one way to determine if the financial position of the District is improving or deteriorating. However, non-financial factors will need to be considered as well to determine the overall financial position of the District.

- The Statement of Fiduciary Net Assets, presents financial information about activities for which the District acts solely as an agent for the benefit of students and parents.

The District is the trustee, or fiduciary, for its student activity funds. All of the District's fiduciary activities are reported in separate statements of fiduciary net assets. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

- Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. These statements also report the District's operations in more detail than the Government-wide Financial Statements by providing information about the most significant funds.

## **Overview of the Financial Statements - Continued**

The fund level financial statements are reported on a modified accrual basis. Only those assets that are “measurable” and “currently available” are reported. Liabilities are recognized to the extent that they are normally expected to be paid with current financial resources.

In the fund financial statements, purchased capital assets are reported as expenditures in the year of acquisition. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long term obligations are recorded as expenditures. Future year's debt obligations are not recorded.

The fund statements are formatted to comply with the legal requirements of the Michigan Department of Education's “Accounting Manual.” In the State of Michigan, the District's major instructional support activities are reported in the General Fund. Additional activities are reported in their relevant funds including: Debt Service, Capital Projects, School Food Service, Community Services and Athletics funds.

Major Funds: Under GASB Statement 34, the audit focus has shifted from type of governmental fund to major funds. Major funds are the largest funds in terms of assets, liabilities, revenues or expenses/expenditures. This allows the reader to see more detailed activity of the major funds. For the District, the General Fund meet this requirement.

Non-major Funds: In the basic financial statements, non-major funds are consolidated into one column. These are smaller funds. Detailed information about non-major funds can be found after the notes to the financial statements.

- Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.
- Required supplementary information, other than Management Discussion and Analysis, provides information about the required budgetary comparison information on the general fund.
- Other supplementary information provides detailed information about the General, Debt Service, Capital Projects, School Food Service, Community Services and Athletic funds.

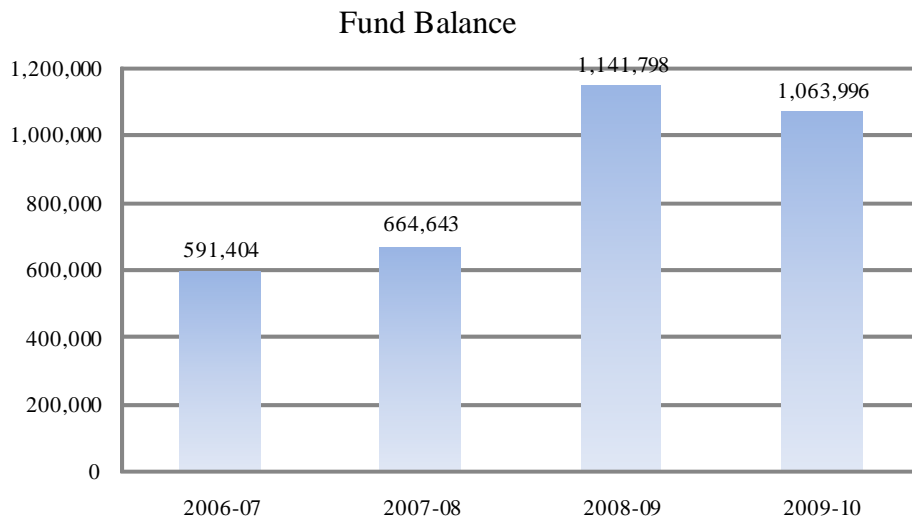
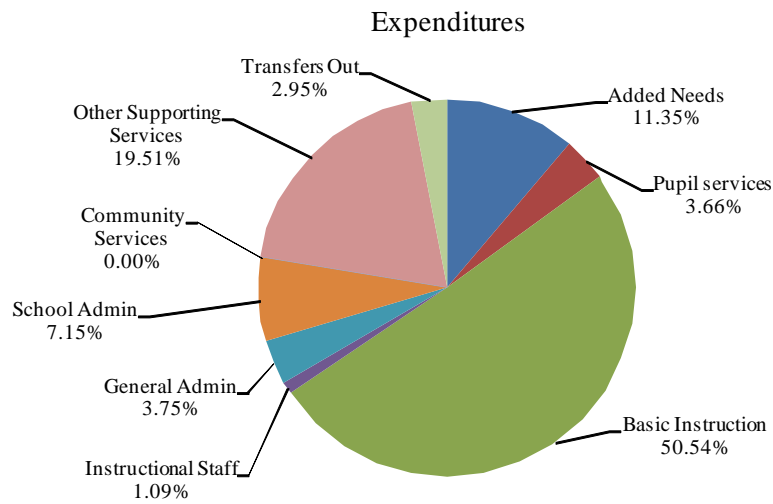
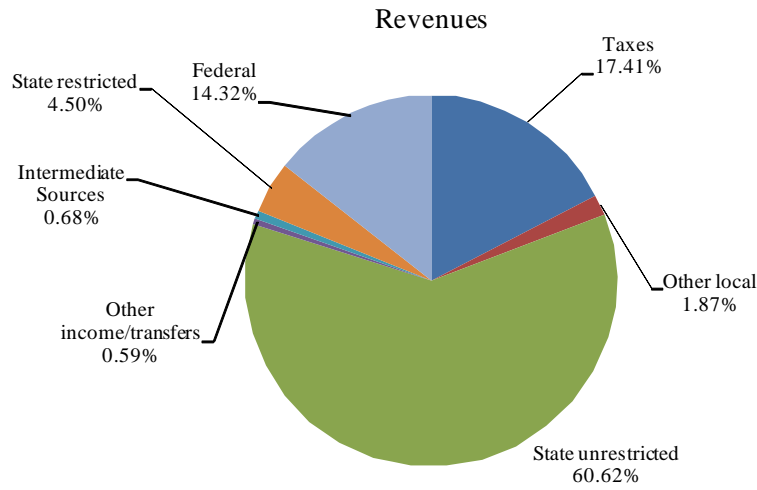
**Summary of Net Assets**

	<u>2010</u>	<u>2009</u>
<b>Assets</b>		
Current and other assets	\$ 3,197,203	\$ 3,168,671
Restricted cash and investments	127,365	152,100
Capital assets - Net of accumulated depreciation	<u>7,061,948</u>	<u>7,192,489</u>
Total Assets	<u>\$ 10,386,516</u>	<u>\$ 10,513,260</u>
<b>Liabilities</b>		
Current liabilities	\$ 2,358,733	\$ 2,197,303
Long-term liabilities	<u>7,234,208</u>	<u>7,588,724</u>
Total Liabilities	<u>9,592,941</u>	<u>9,786,027</u>
<b>Net Assets</b>		
Invested in property and equipment - net of related debt	(185,392)	(369,345)
Restricted	160,965	176,031
Reserved	43,912	52,402
Unrestricted	<u>774,090</u>	<u>868,145</u>
Total net assets	<u>793,575</u>	<u>727,233</u>
Total Liabilities and Net Assets	<u>\$ 10,386,516</u>	<u>\$ 10,513,260</u>

**Results of Operations in Governmental Activities**

	<u>2010</u>	<u>2009</u>
<b>Program Revenue:</b>		
Charges for services	\$ 138,490	\$ 141,603
Grants and contributions	1,480,438	1,953,830
<b>General Revenue:</b>		
Property taxes	1,722,078	1,658,448
State foundation allowance	3,948,304	4,224,472
Other	<u>219,905</u>	<u>197,445</u>
Total Revenue	<u>7,509,215</u>	<u>8,175,798</u>
<b>Functions/Program Expenses</b>		
Instruction	4,248,280	4,267,364
Support services	2,009,704	2,018,979
Capital projects	80,884	66,661
School food services	300,934	293,783
Athletics	76,704	154,046
Community services	116,532	113,019
Interest on long-term debt	300,006	310,741
Other debt	<u>309,830</u>	<u>296,577</u>
Total Expenses	<u>7,442,874</u>	<u>7,521,170</u>
Change in Net Assets	66,341	654,628
Net Assets - Beginning	<u>727,234</u>	<u>72,606</u>
Net Assets - Ending	<u>\$ 793,575</u>	<u>\$ 727,234</u>

The following charts highlight the District's General Fund activities:



**Significant Transactions and Changes in Individual Funds**

The overall financial position of the individual Governmental funds of the District did not change significantly from the previous year. A comparison of revenues/transfers, expenditures/transfers and fund balances is as follows:

	<u>Current Year</u>	<u>Prior Year</u>	<u>Change</u>
<b>General Fund:</b>			
Revenues/Transfers	\$ 6,513,302	\$ 7,162,996	\$ (649,694)
Expenditures/Transfers	\$ 6,591,104	\$ 6,685,841	\$ (94,737)
Fund Balance	\$ 1,063,996	\$ 1,141,798	\$ (77,802)
<b>Debt Service Fund:</b>			
Revenues/Transfers	\$ 604,264	\$ 594,184	\$ 10,080
Expenditures/Transfers	\$ 619,330	\$ 616,403	\$ 2,927
Fund Balance	\$ 160,965	\$ 176,031	\$ (15,066)
<b>Capital Projects Fund:</b>			
Revenues/Transfers	\$ 53,430	\$ 92,615	\$ (39,185)
Expenditures/Transfers	\$ 80,884	\$ 66,661	\$ 14,223
Fund Balance	\$ 100,307	\$ 127,761	\$ (27,454)
<b>Community Service Fund:</b>			
Revenues/Transfers	\$ 117,468	\$ 116,014	\$ 1,454
Expenditures/Transfers	\$ 117,468	\$ 116,014	\$ 1,454
Fund Balance	\$ 0	\$ 0	\$ 0
<b>School Food Service Fund:</b>			
Revenues/Transfers	\$ 286,449	\$ 284,140	\$ 2,309
Expenditures/Transfers	\$ 310,219	\$ 303,168	\$ 7,051
Fund Balance	\$ 17,015	\$ 40,785	\$ (23,770)
<b>Athletic Fund:</b>			
Revenues/Transfers	\$ 148,340	\$ 171,940	\$ (23,600)
Expenditures/Transfers	\$ 148,340	\$ 171,940	\$ (23,600)
Fund Balance	\$ 0	\$ 0	\$ 0

General Fund – The General Fund showed a decrease in revenues by approximately \$657,000. Local revenue increased by approximately \$85,000 with the majority of the increase coming from the non homestead School Operating Tax. State unrestricted revenues decreased by \$274,000, primarily due to the reduction in student population and a decrease in the State Discretionary Payment. Federal revenue decreased by \$468,080. The major portion of this decrease was a result of the decrease in Impact Aid payments.

Total Expenditures in the General Fund decreased by \$62,707. A major portion of the decrease was in support services in the amount of \$46,000 and \$15,806 in instruction.

The General Fund's fund balance decreased by \$77,802 during the fiscal year. This brings the total Fund Balance for the General Fund to \$1,063,996.

Debt Service Fund – The Debt Service fund showed a increase in revenue due to a increase in the debt taxable value.

Capital Projects Fund – The Board continued to transfer funds from the General Fund to set aside for a future elevator project. Expenses were also made to enable the district to proceed with the Sports Complex.

The Capital Project Fund Balance contains Elevator Project and Sports Complex funds.

**Significant Transactions and Changes in Individual Funds (Continued)**

Community Service Fund – The Community Service Fund increase expenditures by \$1,454 mainly due to an increase in the purchase of books for circulation.

School Food Service Fund – The School Food Service Fund showed an increase in revenue due to an increase in National School Lunch Program funding. Expenditures increased by \$7,051 due to an increase in the cost of employee benefits.

Athletic Fund – The Athletic Fund showed a decrease in expenses of \$23,600. This decrease was attributed to transportation cost reductions in the amount of \$14,969, changes in the method of payment to non-school staff coaches and a reduction in miscellaneous expenditures. This decreased the amount necessary to be transferred from the General Fund by \$9,716.

**General Fund Budgetary Highlights**

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the annual budget prior to the start of the fiscal year. Any amendments to the original budget must be approved by the Board prior to the close of the fiscal year on June 30.

For the fiscal year ended June 30, 2010, the original budget was adopted on June 15, 2009. Since the original budget is adopted two months before school is in session, we often have many unknowns such as the number of students we will have for the year. Since much of the District's revenue is determined based on the number of students enrolled, this unknown could have a significant impact on the budget. Often there are a number of unforeseen events that occur throughout the year that impact the budget and/or cause budget variances. Therefore, the District amended its budget during the fiscal year.

	Original Budget	Final Budget	Actual	Variance with final budget	% Variance
Revenues	\$ 6,400,598	\$ 6,537,087	\$ 6,474,690	\$ 62,397	1.0%
Expenditures					
Instruction	\$ 4,098,571	\$ 4,163,755	\$ 4,078,904	\$ 84,851	2.1%
Supporting services	2,493,504	2,420,345	2,317,602	102,743	4.4%
Total expenditures	\$ 6,592,075	\$ 6,584,100	\$ 6,396,506	\$ 187,594	2.9%
Other financing sources (uses)	\$ (215,971)	\$ (178,722)	\$ (155,986)	\$ (22,736)	14.6%

**Capital Assets and Debt Administration**

Capital Assets: The District's net investment in capital assets increased by \$133,836 during the fiscal year. The additions were a bus and sports complex field improvements. No debt was issued for these additions. One bus was sold.

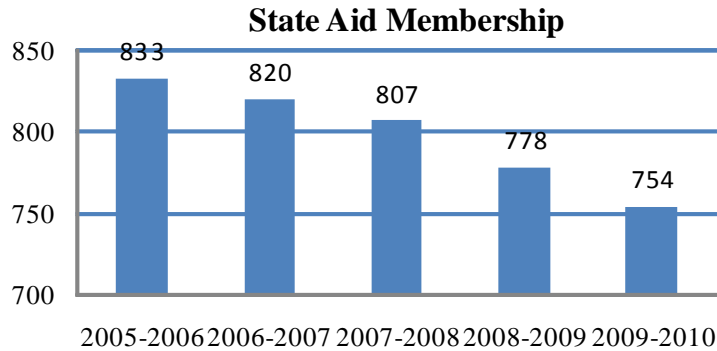
Additional information on the District's capital assets can be found on page 26 of this report.

Long-term Debt: At the end of the current fiscal year, the Districts total debt was \$7,610,656. This total amount is backed by the full faith and credit of the District. The District's total debt principal balance decreased by \$312,670 during the fiscal year.

Additional information on the District's long-term debt can be found starting on page 27 of this report.

**Known Facts, Decisions, or Conditions Having Significant Affect on Future Operations**

The graph depicts a decrease of 24 students enrolled from the previous year, using the State Aid Membership Count.



Our elected officials and administration consider many factors when setting the District's fiscal year budget. One of the most important factors affecting the budget is our student count. The State foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil.

Approximately 61% of total General Fund revenues are from the foundation allowance. Under State law, the District cannot assess additional property tax revenue for general operations. As a result, district funding is heavily dependent on the State's ability to fund local school operations.

**Contacting the District's Financial Management**

This financial report is designed to provide our citizens and taxpayers with a general overview of the District's finances. If you have questions about this report or need additional information, contact the Business Office, L'Anse Area Schools.

**L'ANSE AREA SCHOOLS**  
**STATEMENT OF NET ASSETS**  
**June 30, 2010**

	<u>Governmental Activities</u>
<b>ASSETS:</b>	
<b>CURRENT ASSETS:</b>	
Cash and cash equivalents	\$ 1,950,653
Investments	865
Taxes receivable	171,803
Accounts receivable	32,437
Inventory	43,913
Prepaid expense	28,014
Due from other governmental units	<u>969,518</u>
TOTAL CURRENT ASSETS	<u>3,197,203</u>
<b>NON-CURRENT ASSETS:</b>	
Restricted cash	127,365
Capital assets	10,156,627
Less: Accumulated depreciation	<u>(3,094,679)</u>
Net Capital Assets	<u>7,061,948</u>
TOTAL NON-CURRENT ASSETS	<u>7,189,313</u>
TOTAL ASSETS	<u>\$ 10,386,516</u>
<b>LIABILITIES:</b>	
<b>CURRENT LIABILITIES:</b>	
Accounts payable	\$ 107,988
Accrued expenses	612,868
Accrued interest	48,413
Deferred revenue	489,537
Due to other government units	762,768
Other liabilities	9,124
Bonds payable within one year	<u>328,035</u>
TOTAL CURRENT LIABILITIES	<u>2,358,733</u>
<b>NON-CURRENT LIABILITIES:</b>	
Bonds payable, due in more than one year	6,870,892
Compensated absences	<u>363,316</u>
TOTAL NON-CURRENT LIABILITIES	<u>7,234,208</u>
TOTAL LIABILITIES	<u>9,592,941</u>
<b>NET ASSETS:</b>	
Invested in capital assets, net of related debt	(185,392)
Restricted for debt service	160,965
Reserved	43,912
Unreserved	<u>774,090</u>
TOTAL NET ASSETS	<u>793,575</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 10,386,516</u>

The accompanying notes to the financial statements are an integral part of this statement.

**L'ANSE AREA SCHOOLS**  
**STATEMENT OF ACTIVITIES**  
**Year Ended June 30, 2010**

				<u>Governmental Activities</u>
	<u>Program Revenues</u>			Net (Expense)
<u>Expenses</u>	Charges for	Operating	Grants and	Revenue and
	Services	Contributions	Contributions	Changes in Net
				<u>Assets</u>
<b><u>FUNCTIONS/PROGRAMS</u></b>				
Government Activities:				
Instruction and instructional support	\$ 4,248,280	\$ 49	\$ 1,226,453	\$ (3,021,778)
Support services	2,009,704	-	-	(2,009,704)
Capital projects	80,884	-	26,065	(54,819)
School food service	300,934	99,677	184,177	(17,080)
Athletics	76,704	38,364	9,904	(28,436)
Community services	116,532	400	33,839	(82,293)
Interest on long-term debt	300,006	-	-	(300,006)
Other debt service	309,830	-	-	(309,830)
Total Governmental Activities	<u>\$ 7,442,874</u>	<u>\$ 138,490</u>	<u>\$ 1,480,438</u>	<u>(5,823,946)</u>
General Revenues:				
Taxes				
Property taxes, levied for general operations				1,134,120
Property taxes, levied for debt service				554,486
Other taxes				33,472
State school aid - unrestricted				3,948,304
State school aid - Durant				9,238
Interest and investment earnings				34,742
Sale of fixed assets				955
Gain (Loss) on disposals of fixed assets				(1,179)
Other				141,180
Prior period adjustments				(4,782)
Transfers				<u>39,751</u>
Total general revenues and transfers				<u>5,890,287</u>
Change in Net Assets				66,341
Net Assets - Beginning				<u>727,234</u>
Net Assets - Ending				<u>\$ 793,575</u>

The accompanying notes to the financial statements are an integral part of this statement.

**L'ANSE AREA SCHOOLS**  
**GOVERNMENTAL FUNDS**  
**BALANCE SHEET**

**June 30, 2010**

	General	Other Non-major Governmental Funds	Total Governmental Funds
<b>ASSETS:</b>			
Cash and cash equivalents	\$ 1,820,531	\$ 130,122	\$ 1,950,653
Investments	865	-	865
Taxes receivable	112,120	59,683	171,803
Accounts receivable	13,828	18,609	32,437
Prepaid expense	26,853	1,161	28,014
Inventory	39,230	4,683	43,913
Due from other governmental units	903,340	66,178	969,518
Due from other funds	83,583	-	83,583
Restricted cash	-	127,365	127,365
<b>TOTAL ASSETS</b>	<b>\$ 3,000,350</b>	<b>\$ 407,801</b>	<b>\$ 3,408,151</b>
<b>LIABILITIES:</b>			
Accounts payable	\$ 100,654	\$ 7,334	\$ 107,988
Accrued expenses	600,698	12,170	612,868
Due to other funds	-	83,583	83,583
Due to other government units	762,765	3	762,768
Deferred revenue	463,113	26,424	489,537
Other liabilities	9,124	-	9,124
<b>TOTAL LIABILITIES</b>	<b>1,936,354</b>	<b>129,514</b>	<b>2,065,868</b>
<b>FUND BALANCES:</b>			
Reserved	39,229	165,648	204,877
Unreserved	1,024,767	112,639	1,137,406
<b>TOTAL FUND BALANCES</b>	<b>1,063,996</b>	<b>278,287</b>	<b>1,342,283</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 3,000,350</b>	<b>\$ 407,801</b>	

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	7,061,948
Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the funds.	(7,562,243)
Accrued interest is not included as a liability in governmental funds	(48,413)
Net assets of governmental activities	<b>\$ 793,575</b>

The accompanying notes to the financial statements are an integral part of this statement.

**L'ANSE AREA SCHOOLS**  
**GOVERNMENTAL FUNDS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES**  
**Year Ended June 30, 2010**

	General Fund	Other Non-major Governmental Funds	Totals
<b>REVENUES:</b>			
Local sources	\$ 1,256,103	\$ 774,705	\$ 2,030,808
Intermediate sources	44,477	-	44,477
Unrestricted Political Subdivision	-	30,743	30,743
State sources	4,241,658	23,385	4,265,043
Federal sources	932,452	171,902	1,104,354
Total revenues	<u>6,474,690</u>	<u>1,000,735</u>	<u>7,475,425</u>
<b>EXPENDITURES:</b>			
Instruction	4,078,904	-	4,078,904
Supporting services	2,317,602	-	2,317,602
Athletics	-	148,340	148,340
Community services	-	116,532	116,532
School food service	-	293,849	293,849
Debt service	-	306,660	306,660
Capital projects	-	80,884	80,884
Total expenditures	<u>6,396,506</u>	<u>946,265</u>	<u>7,342,771</u>
Excess (deficiency) of revenue over expenditures	<u>78,184</u>	<u>54,470</u>	<u>132,654</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Operating transfers in (out)	(187,448)	187,448	-
Incoming transfers - other schools	37,484	10,353	47,837
Transfers to other districts	(7,150)	(936)	(8,086)
Bond payments	-	(312,670)	(312,670)
Sale of fixed assets	955	-	955
Prior period adjustment	173	4,955	(4,782)
Total other financing sources (uses)	<u>(155,986)</u>	<u>120,760</u>	<u>(276,746)</u>
NET CHANGE IN FUND BALANCE	(77,802)	(66,290)	(144,092)
FUND BALANCES - BEGINNING OF YEAR	<u>1,141,798</u>	<u>344,577</u>	
FUND BALANCES - END OF YEAR	<u>\$ 1,063,996</u>	<u>\$ 278,287</u>	

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds do not record depreciation and report capital outlays as expenditures; in the statement of activities, these costs are capitalized and allocated over their estimated useful lives as depreciation.	(130,542)
Accrued expenses are recorded in the statement of activities when incurred; it is not reported in governmental funds until paid.	28,305
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt).	312,670
Change in net assets of governmental activities	<u>\$ 66,341</u>

The accompanying notes to the financial statements are an integral part of this statement.

**L'ANSE AREA SCHOOLS**  
**FIDUCIARY FUNDS**  
**STATEMENT OF NET ASSETS**  
**June 30, 2010**

	<u>Fiduciary Fund</u>
ASSETS	
Cash and investments	\$ 296,821
Investments	32,651
TOTAL ASSETS	<u>\$ 329,472</u>
LIABILITIES	
Due to student groups	\$ 56,401
Due to other governmental units	21,620
Scholarship funds	251,451
TOTAL LIABILITIES	<u>\$ 329,472</u>

The accompanying notes to the financial statements are an integral part of this statement.

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements of the L'Anse Area Schools have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant District accounting policies are described below.

**REPORTING ENTITY**

The L'Anse Area Schools (the "District") is governed by the L'Anse Area School Board of Education (the "Board"), which has responsibility and control over all activities related to public school education within the District. The District receives funding from local, state and federal government sources and must comply with all the requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined by the accounting principles generally accepted in the United States of America. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. In addition, the District's reporting entity does not contain any component units as defined in Governmental Accounting Standards Board Statement Numbers 14 and 39.

**GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the District. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All of the District's government-wide activities are considered governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. State Foundation Aid, certain revenue from the intermediate school district and other unrestricted items are not included as program revenues and are reported as general revenues.

In the government-wide statement of net assets, the governmental activities column is presented on a consolidated basis and is reported on a full accrual, economic resource basis, which recognizes all long-term and receivables as well as long-term debt and obligations. The District's net assets are reported in three parts – invested in capital assets, net of related debt; restricted for debt service; and unrestricted net assets.

The District first utilizes restricted resources to finance qualifying activities.

The government-wide statement of activities reports both the gross and net cost of each of the District's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues and other revenues). The statement of activities reduces gross expenses by related program revenues and operating grants. Program revenue must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The District does allocate indirect costs.

The government-wide focus is more on the sustainability of the District as an entity and the change in the District's net assets resulting from the current year's activities.

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Governmental Funds - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgements, are recorded only when payment is due.

Property taxes, unrestricted State aid, intergovernmental grants, and interest income associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government unit.

Fiduciary fund statements are also reported using the economic resources measurement focus and the accrual basis of accounting.

The District reports the following major governmental fund:

General Fund - The General Fund is the general operating fund and accordingly, it is used to account for all financial resources except those required to be accounted for in another fund.

Other non-major funds:

Debt Service Fund - The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Special Revenue Funds - Special Revenue Funds are used to account for the activities of specific school service revenue sources such as the School Food Service, Athletic Activities, and Community Service Activities.

Capital Projects Fund - The Capital Projects Fund is used to account for all revenues and expenditures associated with the District's capital structures.

Fiduciary Funds:

Fiduciary Fund types are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District has the following Fiduciary Funds: Trust and Agency, Scholarship Fund, and Tax Collection Fund.

Fiduciary funds are not included in the government-wide statements.

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Accrual Method

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND BASIS OF PRESENTATION**

Modified Accrual Method

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is done.

Property taxes, state and federal aid and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

State Revenue

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a statewide formula. The Foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts and the local county treasurer. For the year ended June 30, 2010, the foundation allowance was based on pupil membership counts taken in February and September of 2009, 2008, and 2007 for a three year blended average.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes which may be levied at a rate of up to 18 mills. The State revenue is recognized during the foundation period and is funded through payments from October 2009 to August 2010. Thus, the unpaid portion at June 30 is reported as due from other governmental units.

State revenue recognized during the foundation period (currently the fiscal year) is as follows:

Foundation		\$	7,316.00
Assumed Local Support	1,152,073		
Divided by State Aid Membership	<u>730.20</u>		
Calculated Local Support			<u>(1,577.75)</u>
Foundation Grant Allowance Per Pupil		\$	<u><u>5,738.25</u></u>

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The District also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain governmental funds require an accounting to the state of the expenditures incurred. For categorical funds meeting this requirement, funds received, which are not expended by the close of the fiscal year are recorded as deferred revenue. Other categorical funding is recognized when the appropriation is received.

Deposit - Cash and equivalents include amounts in demand deposits and certificates of deposit.

Property Taxes - Property tax revenue is recognized in the year for which taxes have been levied, provided they are available to finance expenditures of the current period in accordance with the National Council on Governmental Accounting Interpretation No. 3, Revenue Recognition - Property Taxes. Property taxes are levied by the District from the five townships of Bohemia, Covington, Duncan, Laird, and L'Anse on July 1 and become due September 14.

For the year ended June 30, 2010, the District levied the following amounts per \$1,000 of assessed valuation:

Fund	Mills
General fund - Non-homestead	17.6464
Debt service fund - Homestead and non-homestead	4.400

Receivables and Payables - Activity between funds are reported as “due to/from other funds.”

All receivables, including property taxes receivable, are shown net of allowance for uncollectibles.

Inventory - Inventory in the District's General Fund consists of various school and office supplies totaling \$39,230.

Inventory in the District's School Food Service Fund consists of food, non-food items, and USDA Commodities totaling \$4,683. The District utilizes the consumption method of recording inventories of food supplies in the School Food Service Fund. Under the consumption method, inventories are recorded as expenditures when they are used. Inventory is valued at cost.

Fixed Assets - Fixed assets, which include land, buildings, equipment, site improvements, and vehicles are reported in the applicable governmental activities column in the district wide financial statements. Fixed assets are defined by the government as assets with an initial individual cost of more than \$3,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair & maintenance that do not add to the value or materially extend asset lives are not capitalized.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and additions	20-50 years
Buses and other vehicles	5-10 years
Furniture and other equipment	5-10 years

Accrued Benefits - The liabilities for accrued benefits reported in the district wide financial statements in the amount of \$363,316 consisted of vacation and sick leave. The District, as part of the various employment contracts with its personnel, allows annual sick and vacation days. Each employment contract specifies an accumulation policy for unused sick and vacation days, as follows:

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Vacation Days - Various employees of the District are allowed to accumulate vacation days in the year when they are earned. Liability of the District for the employees' unused vacation days at June 30, 2010 is \$11,470.

Sick Leave - The various employment contracts with District personnel stipulate different methods of accumulating and paying for unused sick leave. In general, under all methods, employees are allowed to accumulate unused sick leave and receive a terminal leave payment for unused sick leave. In order to receive payment upon retirement, the employee must have worked in the District for at least five years. Unused sick leave payable at June 30, 2010 is \$351,846.

Long-term Obligations - In the district wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets.

Fund Equity - In the fund financial statements, governmental funds report reservation of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designation of fund balance represent tentative management plans that are subject to change.

Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Reclassification - Certain items in the prior year financial statements have been reclassified to conform with the current year presentation.

**NOTE B - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

The District follows these procedures in establishing the budgetary data reflected in the financial statements.

1. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
2. A public hearing is held to obtain taxpayer comments.
3. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978) enacted at a regular meeting by School Board approval. The Act provides that a local unit shall not incur expenditures in excess of the amount appropriated.
4. During the year the budget is monitored, and amendments to the budget resolution are made when deemed necessary.
5. Budget appropriations lapse at the end of the fiscal year.

In the body of the financial statements, the School's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. Violations, if any, for the general fund are noted in the required supplementary information section.

**NOTE C - DEPOSITS AND INVESTMENTS**

At year-end, the District's cash deposits (checking, savings and certificates of deposit) and investments were reported in the basic financial statements in the following categories and the breakdown between deposits and investments for the District is as follows:

	Governmental Activities	Fiduciary Funds	Total Primary Government
Unrestricted cash	\$ 1,950,653	\$ 0	\$ 1,950,653
Restricted cash	127,365	296,821	424,186
Total cash and cash equivalents	2,078,018	296,821	2,374,839
Unrestricted investments	865	0	865
Restricted investments	0	32,651	32,651
Total investments	865	32,651	33,516
Total deposits and investments	\$ 2,078,883	\$ 329,472	\$ 2,408,355

As of June 30, 2010 the District had the following investments in both governmental and fiduciary funds:

Investment Type	Fair Value	Rating	%
MILAF - CMC	\$ 97	AAA	0.29%
MILAF - MAX	768	AAA	2.29%
Certificate of Deposit	5,000	AAA	14.92%
Trust Indices	2,523	AAA	7.53%
Trust Preferred Stock	2,625	AAA	7.83%
Trust Equities	16,102	AAA	48.04%
U.S. Treasury Notes	6,401	AAA	19.10%
Total fair value	\$ 33,516		100.00%

*Investment and Deposit Risk*

**Interest Rate Risk** – In accordance with its investment policy, the District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the District's cash requirements. The District's investments held at year end do not have maturity dates.

**Credit Risk** – State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investments pools as identified in the list of authorized investments below. The District's investment policy does not have specific limits in excess of state law on investment credit risk. The rating for each investment are identified above for investments held at year end.

**Custodial Credit Risk - Deposits** – In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. State law does not require and the District does not have a policy for deposit custodial credit risk. As of June 30, 2010, \$2,059,326 of the District's bank balance of \$2,630,319 was exposed to custodial credit risk because it was uninsured and collateralized.

**NOTE C - DEPOSITS AND INVESTMENTS (Continued)**

Custodial Credit Risk - Investments – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the District does not have a policy for investment custodial credit risk. On the investment listed above, there is no custodial credit risk, as these investments are uncategorized as to credit risk.

Concentration of Credit Risk – State law limits allowable investments but does not limit concentration of credit risk as identified in the list of authorized investments below. The District’s investment policy does not have specific limits in excess of state law on concentration of credit risk. All investments held at year end are reported above and are external investment pools.

Michigan law authorizes the District to deposit and invest in:

- Bonds, bills, or notes of the United States; obligations, the principal and interest of which are fully guaranteed by the United States; or obligations of the State. In a primary or fourth class school district, the bonds, bill or notes shall be payable at the option of the holder upon not more than 90 days notice or, if not so payable, shall have maturity dates not more than 5 years after the purchase dates.
- Certificates of deposits issued by the State or national bank, savings accounts of a state or federal savings and loan association, or certificates of deposit or share certificates of a state or federal credit union organized and authorized to operate in this State.
- Commercial paper rated prime at the time of purchase and maturing not more than 270 days after the date of purchase.
- Securities issued or guaranteed by agencies or instrumentalities of the United States, United States government or federal agency obligation repurchase agreements, and bankers’ acceptance issued by a bank that is a member of the Federal Deposit Insurance Corporation.
- Mutual funds composed entirely of investment vehicles that are legal for direct investment by a school district.
- Investment pools, as authorized by the surplus funds investment pool act, composed entirely of instruments that are legal for direct investment by a school district.

**NOTE D - RECEIVABLES**

Receivables at June 30, 2010 that are expected to be collected within one year consist of the following:

	General Fund	School Service	Athletic	Community Service	Debt Service	Total
State	\$ 903,340	\$ 38,221	\$ 0	\$ 1,872	\$ 0	\$ 943,433
Local	125,948	7,893	21,071	14,854	60,559	230,325
Federal	0	0	0	0	0	0
	<u>\$ 1,029,288</u>	<u>\$ 46,114</u>	<u>\$ 21,071</u>	<u>\$ 16,726</u>	<u>\$ 60,559</u>	<u>\$ 1,173,758</u>

**L'ANSE AREA SCHOOLS**  
**NOTES TO FINANCIAL STATEMENTS - June 30, 2010**

**NOTE E - INTER-FUND RECEIVABLES, PAYABLES, AND TRANSFERS**

Amounts due from (to) other funds represent the balance of monies due from or to other funds for expenditures made or fund balance transfers approved. The amounts of inter-fund receivables and payables as of June 30, 2010 are as follows:

<u>Fund</u>	<u>Inter-fund Receivable</u>	<u>Fund</u>	<u>Inter-fund Payable</u>
General	\$ 83,583	School Food Service	\$ 58,562
Debt Service	0	Capital Projects	847
Capital Projects	0	Athletic	17,896
Athletic	0	Community Services	6,278
Community Services	0		
TOTAL	<u>\$ 83,583</u>	TOTAL	<u>\$ 83,583</u>

<u>Fund</u>	<u>Transfer In</u>	<u>Fund</u>	<u>Transfer Out</u>
Capital Projects	\$ 25,000	General	\$ 187,448
Athletic	96,005		
Community Services	82,813	School Food Service	16,370
TOTAL	<u>\$ 203,818</u>	TOTAL	<u>\$ 203,818</u>

**NOTE F - FIXED ASSETS**

Fixed Asset activity of the District's governmental activities was as follows:

	<u>Balance 06/30/09</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 06/30/10</u>
Land	\$ 137,142	\$ 0	\$ 0	\$ 137,142
Building and additions	8,048,503	0	0	8,048,503
Improvements other than building	704,647	80,884	0	785,531
Equipment*	422,357	9,950	32,686	399,621
Furniture	50,880	0	0	50,880
Software	36,529	0	6,175	30,354
Vehicles	43,043	0	0	43,043
School buses	620,624	68,300	27,371	661,553
Subtotal	<u>10,063,725</u>	<u>\$ 159,134</u>	<u>\$ 66,232</u>	<u>10,156,627</u>
Accumulated depreciation:				
Building and additions	1,773,344	\$ 161,415	\$ 0	1,934,759
Improvements other than building	288,810	35,678	0	324,488
Equipment*	211,223	38,617	30,554	219,286
Furniture	24,766	2,871	0	27,637
Software	31,976	3,035	6,175	28,836
Vehicles	43,043	0	0	43,043
School buses	498,074	45,927	27,371	516,630
	<u>2,871,236</u>	<u>\$ 287,543</u>	<u>\$ 64,100</u>	<u>3,094,679</u>
Net capital assets	<u>\$ 7,192,489</u>			<u>\$ 7,061,948</u>

\* Prior year adjustment in the amount of \$10, 403 in Equipment and \$7,108 for equipment depreciation was made due to a duplication of assets in prior years. The net adjustment to net assets is \$3,295 This adjustment is reflected for governmental-wide financial statements.

**NOTE F - FIXED ASSETS (Continued)**

Depreciation expense was charged to activities of the District as follows:

Governmental activities		
Athletic Fund	\$	9,248
School Food Service		7,085
General Fund:		
Instructional		202,433
Supporting Services		4,918
Operations		16,532
Transportation		<u>47,327</u>
Total governmental activities	\$	<u><u>287,543</u></u>

**NOTE G - PAYABLES**

Accounts payable and accrued liabilities as of June 30, 2010, for the District's individual major funds and non-major funds in the aggregate, are as follows:

Fund Financial Statements:	General	Non-Major Funds	Total
Accounts payable	\$ 100,654	\$ 7,334	\$ 107,988
Salaries payable	369,080	6,684	375,764
Accrued expenses	231,618	5,486	237,104
Total accounts payable and accrued liabilities	<u>\$ 701,352</u>	<u>\$ 19,504</u>	<u>\$ 720,856</u>

**NOTE H - LONG TERM DEBT**

2006 Advance Refunding

On December 20, 2005 the District issued \$7,760,000 of general obligation unlimited tax refunding bonds to advance refund \$7,975,000 of outstanding unlimited tax and obligation bonds. The proceeds of the bonds were used to provide for the payment of the principal of, interest on and redemption premium on the 1998 Building and Site Bonds.

The bond issue matures as indicated below with interest at varying rates of 3.5% to 4.25% per annum. Interest payments started on November 1, 2006, and are payable semi-annually on May 1, and November 1 as indicated. The bonds are to be both term and serial.

Optional Redemption: The Bonds or portions of the Bonds in multiples of \$5,000 maturing on or after May 1, 2017, are subject to redemption at the option of the District in such order as the District may determine and by lot within any maturity, on any date occurring on or after May 1, 2016, at par plus accrued interest to the date fixed for redemption.

The Bonds due May 1, 2018 are term bonds subject to mandatory redemption in part, by lot, on the redemption dates and in the principal amounts set forth below and at the redemption price equal to the principal amount thereof, without premium, together with interest thereon to the redemption date.

<u>Redemption Dates</u>	<u>Principal</u>
May 1, 2017	\$400,000
May 1, 2018 (maturity)	\$410,000

**L'ANSE AREA SCHOOLS**  
**NOTES TO FINANCIAL STATEMENTS - June 30, 2010**

**NOTE H - LONG TERM DEBT (Continued)**

<u>Fiscal Year</u>	<u>November 1 Interest</u>	<u>May 1 Interest</u>	<u>May 1 Principal</u>	<u>Total</u>
2010-2011	\$ 144,794	\$ 144,794	\$ 320,000	\$ 609,588
2011-2012	138,394	138,394	330,000	606,788
2012-2013	131,794	131,794	345,000	608,588
2013-2014	124,896	124,896	360,000	609,792
2014-2015	119,694	119,694	375,000	614,388
2015-2020	469,367	469,367	2,035,000	2,973,734
2020-2025	262,869	262,869	2,120,000	2,645,738
2025-2028	53,920	53,920	1,275,000	1,382,840
	<u>\$ 1,445,728</u>	<u>\$ 1,445,728</u>	<u>\$ 7,160,000</u>	<u>\$ 10,051,456</u>

Durant Bonds

As part of the Durant settlement non-plaintiff school districts entitled to receive amounts greater than \$75,000 were offered a bonding option. The District participated in the bonding option and on November 24, 1998 issued \$131,554 of school improvement bonds for the purpose of adding two rooms to the C.J. Sullivan Elementary building.

The bond issue matures as indicated below with interest not to exceed 8% per annum. Interest payments began on May 15, 1999 and are payable annually thereafter on May 15 as indicated. The annual payments will be appropriated by the State of Michigan and will be the only revenue source for making the annual debt service payment on the bonds. The District is under no obligation to make the annual payment in any year the legislature fails to appropriate the proper amount of funds.

The bonds are not subject to redemption prior to maturity and the District will not issue any other bonds or obligations for the purpose of refunding these bonds. Even though the State of Michigan will be appropriating funds to pay the principal and interest, the bonds are the obligation of the District, not the State.

As part of the State of Michigan Executive Budget Recommendation for fiscal year 2007, the bonds were "refunded." The debt service payment schedules for the districts that chose to bond have changed. However, the refunding did not change the total payments for any of the borrowers.

<u>Payable School Year</u>	<u>May 15 Interest</u>	<u>May 15 Principal</u>	<u>Total</u>
2010-2011	\$ 1,203	\$ 8,035	\$ 9,238
2011-2012	5,638	22,075	27,713
2012-2013	420	8,817	9,237
TOTAL	<u>\$ 7,261</u>	<u>\$ 38,927</u>	<u>\$ 46,188</u>

The following is a summary of the changes in the general long-term debt for the year ended June 30, 2010:

	<u>Balance June 30, 2009</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance June 30, 2010</u>	<u>Current Portion</u>
2006 Refunding Bonds	\$ 7,465,000	\$ 0	\$ 305,000	\$ 7,160,000	\$ 320,000
Durant Bond	46,597	0	7,670	38,927	8,035
	<u>7,511,597</u>	<u>0</u>	<u>312,670</u>	<u>7,198,927</u>	<u>\$ 328,035</u>
Accrued Interest	50,237	0	1,824	48,413	
Accrued Benefits	389,797	0	26,481	363,316	
TOTAL	<u>\$ 7,951,631</u>	<u>\$ 0</u>	<u>\$ 340,975</u>	<u>\$ 7,610,656</u>	

**NOTE H - LONG TERM DEBT (Continued)**

As of June 30, 2010, the aggregate maturities of long-term debt for the next ten years and thereafter are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010-2011	\$ 328,035	\$ 290,791	\$ 618,826
2011-2012	352,075	282,426	634,501
2012-2013	353,817	264,008	617,825
2013-2014	360,000	249,792	609,792
2014-2015	375,000	239,388	614,388
2015-2018	1,195,000	610,358	1,805,358
2018-2023	2,110,000	694,738	2,804,738
2023-2028	2,125,000	267,216	2,392,216
	<u>\$ 7,198,927</u>	<u>\$ 2,898,717</u>	<u>\$ 10,097,644</u>

**NOTE I - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN**

*Plan Description*

The District contributes to the Michigan Public School Employees' Retirement System (MPERS), a multiple-employer, cost-sharing public employee defined benefit pension plan administered by the State of Michigan Department of Management and Budget, Office of Retirement Systems. MPERS provides retirement, survivor and disability benefits to plan members and beneficiaries. Benefit provisions are established and may be amended by state statute.

The Office of Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for MPERS. That report may be obtained by writing to Michigan Public School Employees Retirement System, PO Box 30171, Lansing, Michigan 48909, by calling (517) 322-5103 or online at the State of Michigan's web-site: <http://www.michigan.gov/orsschools>.

*Funding Policy*

Effective January 1, 1987, Act 91 of the Public Acts of 1985 established a voluntary contribution to the Member Investment Plan (MIP). Employees first hired before January 1, 1990, made a one-time irrevocable election to contribute at a permanently fixed rate of 3.9% of gross wages. Members first hired January 1, 1990 or later contribute at the following graduated permanently fixed contribution rate: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 4.3% of all wages over \$15,000. Basic Plan members make no contributions. The District is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefits on a cash disbursement basis.

The District was required by the state statute to contribute 16.54% of covered compensation through September 30, 2009 and 16.94% of covered compensation to the Plan for the remainder of the year. The contribution requirements of plan members and the District are established by Michigan State statute and may be amended only by action of the State Legislature. The total amount contributed to MPERS for the years ended June 30, 2010, 2009, and 2008, were \$576,586, \$567,491, and \$580,308 respectively, equal to the required contributions for each year.

*Other Post Employee Benefits*

Retirees have the option of health coverage which is funded on a cash disbursement basis by the employers. The State of Michigan has contracted to provide the comprehensive group medical, hearing, dental and vision coverages for retirees and beneficiaries. All health care benefits are on a self-funded basis. A significant portion of the premium is paid by MPERS with the balance deducted from the monthly pension.

**NOTE I - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN (Continued)**

Pension recipients are eligible for fully paid Master Health Plan coverage and 90% paid Dental Plan, Vision Plan and Hearing Plan coverage with the following exceptions:

- Retirees not yet eligible for Medicare coverage pay an annual amount equal to Medicare Part B premiums.
- Retirees with less than 30 years of service, who terminate employment after October 31, 1980 with the vested deferred benefits, are eligible for partially employer paid health benefit coverage (no payment if less than 21 years of service).

**NOTE J - 403(b) RETIREMENT PLAN**

The District established a 403(b) plan, a qualified, tax sheltered annuity or custodial account plan for the exclusive benefit of eligible employees and their beneficiaries. The plan is self administered by the District with a plan year ending each December 31. Participants in the plan must be an employee receiving compensation for personal service in covered employment.

The plan is intended to be a qualified tax sheltered annuity or custodial account plan in which payments are taxable to the recipient only upon actual distribution of benefits under Section 72 and 403(b) of the Internal Revenue Code of 1986, as amended (the Code).

The Employer is not required to make contributions. Accounts are established by the employee's investment provider for each type of contribution.

**NOTE K - RESERVE FUND BALANCES**

According to generally accepted accounting principles, reserved fund balances are reported separately in the fund balance section. Debt Service fund balance is reserved for retirement of debt. Reserve fund balances in the General Fund and School Food Service Fund are reserved for inventory.

**NOTE L - ECONOMIC DEPENDENCY**

The District received approximately 61% of its General Fund revenue from the Michigan Department of Education Membership Allowance. Due to the significance of this revenue source to the District, the District is considered to be economically dependent.

**NOTE M - CONTINGENT LIABILITIES -RISK POOL**

L'Anse Area Schools is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District was unable to obtain general liability insurance at a cost it considered to be economically justifiable. The District joined together with other school districts currently operating a common risk management and insurance program. The District pays an annual premium to the pool for its general insurance coverage. The agreement provides that the pool will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$500,000 for each insured event. L'Anse Area Schools continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The pooling agreement allows for the pool to make additional assessments to make the pool self-sustaining. The District is unable to provide an estimate of the amounts of additional assessments.

The MASB-SEG Property & Casualty Pool has published its own financial report for the year ended June 30, 2010, which can be obtained through the District.

**REQUIRED SUPPLEMENTAL FINANCIAL INFORMATION**

**L'ANSE AREA SCHOOLS**  
**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**  
**For the Year Ended June 30, 2010**

	Budgeted Amounts		Actual (GAAP Basis)	Variance Final to Actual
	Original	Final		
REVENUES:				
Local sources	\$ 1,265,143	\$ 1,269,122	\$ 1,300,580	\$ 31,458
State sources	4,505,452	4,280,931	4,241,658	(39,273)
Federal sources	630,003	987,034	932,452	(54,582)
<b>TOTAL REVENUE</b>	<b>6,400,598</b>	<b>6,537,087</b>	<b>6,474,690</b>	<b>(62,397)</b>
EXPENDITURES:				
Instruction	4,098,571	4,163,755	4,078,904	84,851
Supporting services	2,493,504	2,420,345	2,317,602	102,743
<b>TOTAL EXPENDITURES</b>	<b>6,592,075</b>	<b>6,584,100</b>	<b>6,396,506</b>	<b>187,594</b>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(191,477)	(47,013)	78,184	(125,197)
OTHER FINANCING SOURCES (USES):				
Incoming transfers and other transactions	28,899	26,083	38,439	12,356
Operating transfers in (out)	(237,720)	(196,071)	(187,448)	8,623
Outgoing transfers and other transactions	(7,150)	(8,734)	(7,150)	1,584
Prior period adjustment	-	-	173	173
Total other financing sources (uses)	(215,971)	(178,722)	(155,986)	22,736
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ (407,448)</b>	<b>\$ (225,735)</b>	<b>(77,802)</b>	<b>\$ (102,461)</b>
FUND BALANCE - BEGINNING OF YEAR			1,141,798	
FUND BALANCE - END OF YEAR			<b>\$ 1,063,996</b>	

**OTHER SUPPLEMENTAL FINANCIAL INFORMATION**

**L'ANSE AREA SCHOOLS**  
**GENERAL FUND**  
**SCHEDULES OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**Year Ended June 30, 2010**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>	<u>2009</u>
<b>REVENUES:</b>				
Local sources:				
Taxes	\$ 1,137,089	\$ 1,134,120	\$ 2,969	\$ 1,081,468
Other local sources:				
Investment revenue	20,000	26,412	(6,412)	27,987
Penalties and interest	4,000	6,034	(2,034)	5,883
Contributions	-	647	(647)	1,613
Other	65,841	88,890	(23,049)	72,667
Total other local sources	89,841	121,983	(32,142)	108,150
Intermediate sources	42,192	44,477	(2,285)	26,460
Total local sources	1,269,122	1,300,580	(31,458)	1,216,078
State sources:				
Unrestricted grant - State Aid	3,986,719	3,948,304	38,415	4,224,472
Restricted grants:				
Special Education	145,319	145,319	-	143,958
Bilingual	8,109	9,698	(1,589)	16,877
At-Risk	134,631	132,184	2,447	123,656
Vocational Education	6,153	6,153	-	6,823
Total restricted grants	294,212	293,354	858	291,314
Total state sources	4,280,931	4,241,658	39,273	4,515,786
Federal sources:				
Title I	166,815	152,673	14,142	124,750
Title II	55,479	36,843	18,636	43,678
Title III	47,133	14,288	32,845	13,325
Title VII	46,014	46,014	-	54,355
Special Education	57,439	57,439	-	-
American Recovery Reform Act	218,027	218,027	-	289,129
Impact Aid	291,444	291,445	(1)	754,586
Ottawa National Forest	88,000	95,626	(7,626)	100,907
Small Rural School Achievement	16,683	16,683	-	14,882
Other federal awards	-	3,414	(3,414)	4,919
Total federal sources	987,034	932,452	54,582	1,400,531
<b>TOTAL REVENUES</b>	<b>6,537,087</b>	<b>6,474,690</b>	<b>62,397</b>	<b>7,132,395</b>
<b>EXPENDITURES:</b>				
Instruction:				
Basic program:				
Elementary School	1,285,881	1,265,985	19,896	1,308,316
Middle School	786,849	810,737	(23,888)	791,595
High School	1,287,215	1,254,317	32,898	1,287,147
Total basic program	3,359,945	3,331,039	28,906	3,387,058

**L'ANSE AREA SCHOOLS**  
**GENERAL FUND**  
**SCHEDULES OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES (Continued)**  
**Year Ended June 30, 2010**

	BUDGET	ACTUAL	VARIANCE	2009
Added needs:				
Special Education	455,276	443,933	11,343	449,116
Compensatory education	269,065	225,627	43,438	175,233
Vocational Education	79,469	78,305	1,164	83,303
Total added needs	803,810	747,865	55,945	707,652
Total instruction	4,163,755	4,078,904	84,851	4,094,710
Supporting services:				
Pupil:				
Attendance	9,868	6,823	3,045	7,688
Guidance	159,198	158,070	1,128	153,534
Health	30,391	23,125	7,266	15,256
Other pupil services	67,857	53,323	14,534	57,008
Total pupil services	267,314	241,341	25,973	233,486
Instructional staff:				
Improvement of instruction	7,019	7,224	(205)	5,203
Library	37,078	28,533	8,545	21,198
Supervision/direction instructional staff	31,871	36,227	(4,356)	57,751
Total instructional staff	75,968	71,984	3,984	84,152
General administration:				
Board of education	34,706	33,051	1,655	43,189
Executive administration	215,565	214,158	1,407	211,515
Total general administration	250,271	247,209	3,062	254,704
School administration	471,763	471,120	643	475,967
Community services	14,425	-	14,425	3,324
Other supporting services:				
Business-fiscal services	152,847	142,851	9,996	144,297
Operation & maintenance	668,249	660,246	8,003	694,897
Pupil transportation	377,409	348,586	28,823	357,259
Technology	142,099	134,265	7,834	116,419
Total other supporting services	1,340,604	1,285,948	54,656	1,312,872
Total supporting services	2,420,345	2,317,602	102,743	2,364,505
TOTAL EXPENDITURES	6,584,100	6,396,506	187,594	6,459,215
EXCESS OF REVENUES OVER EXPENDITURES	(47,013)	78,184	(125,197)	673,180

**L'ANSE AREA SCHOOLS**  
**GENERAL FUND**  
**SCHEDULES OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES (Continued)**  
**Year Ended June 30, 2010**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>	<u>2009</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Incoming transfers - other schools	26,083	37,484	(11,401)	30,533
Operating transfer in (out)	(196,071)	(187,448)	(8,623)	(211,107)
Sale of fixed assets	-	955	(955)	-
State Aid adjustment	-	-	-	(1,010)
Other outgoing transfers	(8,734)	(7,150)	(1,584)	(14,509)
Prior period adjustment	-	173	173	(68)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(178,722)</u>	<u>(155,986)</u>	<u>(22,736)</u>	<u>(196,025)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES</b>	<u>\$ (225,735)</u>	(77,802)	<u>\$ (147,933)</u>	477,155
<b>FUND BALANCE, BEGINNING OF YEAR</b>		<u>1,141,798</u>		<u>664,643</u>
<b>FUND BALANCE, END OF YEAR</b>		<u>\$ 1,063,996</u>		<u>\$ 1,141,798</u>

**L'ANSE AREA SCHOOLS**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**COMBINING BALANCE SHEETS**  
**June 30, 2010**

						Totals	
	Athletic	Community Services	School Food Service	Debt	Capital Projects	Memorandum Only	
						2010	2009
<b>ASSETS AND OTHER DEBITS:</b>							
Cash	\$ 616	\$ 190	\$ 26,159	\$ -	\$ 103,157	\$ 130,122	\$ 160,774
Restricted cash	-	-	-	127,365	-	127,365	152,100
Receivables	10,716	-	7,893	59,683	-	78,292	78,675
Inventory	-	-	4,683	-	-	4,683	4,770
Prepaid expenses	-	26	1,135	-	-	1,161	1,129
Due from other funds	-	-	-	-	-	-	3,106
Due from other governmental units	10,355	16,726	38,221	876	-	66,178	25,055
<b>TOTAL ASSETS</b>	<b>\$ 21,687</b>	<b>\$ 16,942</b>	<b>\$ 78,091</b>	<b>\$ 187,924</b>	<b>\$ 103,157</b>	<b>\$ 407,801</b>	<b>\$ 425,609</b>
<b>LIABILITIES:</b>							
Accounts payable	\$ 3,791	\$ 137	\$ 868	\$ 535	\$ 2,003	\$ 7,334	\$ 15,773
Accrued expenses	-	10,527	1,643	-	-	12,170	18,305
Deferred revenue	-	-	-	26,424	-	26,424	26,260
Due to other governmental units	-	-	3	-	-	3	3
Due to other funds	17,896	6,278	58,562	-	847	83,583	20,691
<b>TOTAL LIABILITIES</b>	<b>21,687</b>	<b>16,942</b>	<b>61,076</b>	<b>26,959</b>	<b>2,850</b>	<b>129,514</b>	<b>81,032</b>
<b>FUND EQUITY:</b>							
Fund balance - reserved	-	-	4,683	160,965	-	165,648	180,801
Fund balance - unreserved	-	-	12,332	-	100,307	112,639	163,776
<b>TOTAL FUND EQUITY</b>	<b>-</b>	<b>-</b>	<b>17,015</b>	<b>160,965</b>	<b>100,307</b>	<b>278,287</b>	<b>344,577</b>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$ 21,687</b>	<b>\$ 16,942</b>	<b>\$ 78,091</b>	<b>\$ 187,924</b>	<b>\$ 103,157</b>	<b>\$ 407,801</b>	<b>\$ 425,609</b>

**L'ANSE AREA SCHOOLS**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**COMBINING STATEMENTS OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**June 30, 2010**

	Athletic	Community Services	School Food Service	Debt	Capital Projects	Totals	
						Memorandum Only	
						2010	2009
REVENUES:							
Local sources	\$ 48,615	\$ 32,783	\$ 100,594	\$ 595,026	\$ 28,430	\$ 805,448	\$ 824,480
State sources	-	1,872	12,275	9,238	-	23,385	27,501
Federal sources	-	-	171,902	-	-	171,902	166,068
<b>TOTAL REVENUES</b>	<b>48,615</b>	<b>34,655</b>	<b>284,771</b>	<b>604,264</b>	<b>28,430</b>	<b>1,000,735</b>	<b>1,018,049</b>
EXPENDITURES:							
Salaries	52,459	57,019	69,758	-	-	179,236	208,614
Employee benefits	14,173	36,251	67,558	-	-	117,982	115,892
Purchase services	60,767	10,128	1,673	-	1,875	74,443	49,371
Supplies, materials, and other	20,941	13,134	154,860	4,830	8,798	202,563	207,206
Capital outlay	-	-	-	-	70,211	70,211	58,812
Interest expense	-	-	-	301,830	-	301,830	312,505
<b>TOTAL EXPENDITURES:</b>	<b>148,340</b>	<b>116,532</b>	<b>293,849</b>	<b>306,660</b>	<b>80,884</b>	<b>946,265</b>	<b>952,400</b>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(99,725)	(81,877)	(9,078)	297,604	(52,454)	54,470	65,649
OTHER FINANCING SOURCES (USES)							
Operating transfers in (out)	96,005	82,813	(16,370)	-	25,000	187,448	211,107
Incoming transfers - other schools	10,353	-	-	-	-	10,353	13,267
Bond payments	-	-	-	(312,670)	-	312,670	302,321
Transfer to other entities	-	(936)	-	-	-	(936)	(2,995)
Prior period adjustment	6,633	-	1,678	-	-	(4,955)	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>99,725</b>	<b>81,877</b>	<b>(14,692)</b>	<b>(312,670)</b>	<b>25,000</b>	<b>(120,760)</b>	<b>(80,942)</b>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	-	-	(23,770)	(15,066)	(27,454)	(66,290)	(15,293)
FUND BALANCE, BEGINNING OF YEAR	-	-	40,785	176,031	127,761	344,577	359,870
FUND BALANCE, END OF YEAR	\$ -	\$ -	\$ 17,015	\$ 160,965	\$ 100,307	\$ 278,287	\$ 344,577

**L'ANSE AREA SCHOOLS**  
**ATHLETIC FUND**  
**SCHEDULES OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**Year Ended June 30, 2010**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>	<u>2009</u>
REVENUES:				
Local sources:				
Gate receipts	\$ 29,000	\$ 29,469	\$ (469)	\$ 26,923
Interest income	200	347	(147)	209
Contributions	6,850	9,904	(3,054)	16,528
Other	8,000	8,895	(895)	9,291
TOTAL REVENUES	<u>44,050</u>	<u>48,615</u>	<u>(4,565)</u>	<u>52,951</u>
EXPENDITURES:				
Salaries	55,561	52,459	3,102	81,806
Employee benefits	14,304	14,173	131	19,902
Purchase services	61,237	60,767	470	40,396
Supplies, materials, and other	15,000	20,941	(5,941)	29,836
TOTAL EXPENDITURES	<u>146,102</u>	<u>148,340</u>	<u>(2,238)</u>	<u>171,940</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(102,052)	(99,725)	(2,327)	(118,989)
OTHER FINANCING SOURCES (USES)				
Operating transfers in	97,302	96,005	1,297	105,722
Prior period adjustment	-	6,633	6,633	-
Incoming transfers - other schools	4,750	10,353	(5,603)	13,267
TOTAL OTHER FINANCING SOURCES (USES)	<u>102,052</u>	<u>99,725</u>	<u>2,327</u>	<u>118,989</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>-</u>
FUND BALANCE, BEGINNING OF YEAR		<u>-</u>		<u>-</u>
FUND BALANCE, END OF YEAR		<u>\$ -</u>		<u>\$ -</u>

**L'ANSE AREA SCHOOLS**  
**COMMUNITY SERVICE FUND**  
**SCHEDULES OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES**  
**Year Ended June 30, 2010**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>	<u>2009</u>
REVENUES:				
Local sources:				
Contributions	\$ 825	\$ 1,224	\$ (399)	\$ 962
Interest income	150	214	(64)	189
Miscellaneous	600	602	(2)	790
Total local sources	<u>1,575</u>	<u>2,040</u>	<u>(465)</u>	<u>1,941</u>
Unrestricted political subdivision	<u>25,000</u>	<u>30,743</u>	<u>(5,743)</u>	<u>28,986</u>
State sources	<u>-</u>	<u>1,872</u>	<u>(1,872)</u>	<u>5,988</u>
TOTAL REVENUES	<u>26,575</u>	<u>34,655</u>	<u>(8,080)</u>	<u>36,915</u>
EXPENDITURES:				
Salaries	56,934	57,019	(85)	59,269
Employee benefits	35,760	36,251	(491)	38,988
Purchase services	10,520	10,128	392	4,209
Supplies, materials, and other	13,500	13,134	366	10,553
TOTAL EXPENDITURES	<u>116,714</u>	<u>116,532</u>	<u>182</u>	<u>113,019</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(90,139)	(81,877)	(8,262)	(76,104)
OTHER FINANCING SOURCES (USES)				
Transfer to other entities	-	(936)	936	(2,995)
Operating transfers in	90,139	82,813	7,326	79,099
TOTAL OTHER FINANCING SOURCES (USES)	<u>90,139</u>	<u>81,877</u>	<u>8,262</u>	<u>76,104</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>-</u>
FUND BALANCE, BEGINNING OF YEAR		<u>-</u>		<u>-</u>
FUND BALANCE, END OF YEAR		<u>\$ -</u>		<u>\$ -</u>

**L'ANSE AREA SCHOOLS**  
**SCHOOL FOOD SERVICE FUND**  
**SCHEDULES OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES**  
**Year Ended June 30, 2010**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>	<u>2009</u>
<b>REVENUES:</b>				
Local sources:				
Adult lunches	\$ 8,100	\$ 8,249	\$ (149)	\$ 9,851
A-La-Carte	3,900	8,720	(4,820)	5,498
Student lunches	81,800	82,118	(318)	87,115
Interest	550	917	(367)	855
Miscellaneous	-	590	(590)	2,478
Total local sources	<u>94,350</u>	<u>100,594</u>	<u>(6,244)</u>	<u>105,797</u>
State sources	<u>12,275</u>	<u>12,275</u>	<u>-</u>	<u>12,275</u>
Federal sources:				
School lunch program	148,664	155,149	(6,485)	146,178
USDA entitlements	18,000	16,753	1,247	19,890
Total federal sources	<u>166,664</u>	<u>171,902</u>	<u>(5,238)</u>	<u>166,068</u>
<b>TOTAL REVENUES</b>	<u>273,289</u>	<u>284,771</u>	<u>(11,482)</u>	<u>284,140</u>
<b>EXPENDITURES:</b>				
Salaries	68,500	69,758	(1,258)	67,539
Employee benefits	66,526	67,558	(1,032)	57,002
Purchase services	600	1,673	(1,073)	1,166
Supplies, materials, and other	155,700	154,860	840	160,991
<b>TOTAL EXPENDITURES</b>	<u>291,326</u>	<u>293,849</u>	<u>(2,523)</u>	<u>286,698</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(18,037)</u>	<u>(9,078)</u>	<u>(8,959)</u>	<u>(2,558)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers in (out)	(16,470)	(16,370)	(100)	(16,470)
Prior period adjustment	115	1,678	(1,563)	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(16,355)</u>	<u>(14,692)</u>	<u>(1,663)</u>	<u>(16,470)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES</b>	<u>\$ (34,392)</u>	<u>(23,770)</u>	<u>\$ (10,622)</u>	<u>(19,028)</u>
<b>FUND BALANCE, BEGINNING OF YEAR</b>		<u>40,785</u>		<u>59,813</u>
<b>FUND BALANCE, END OF YEAR</b>		<u>\$ 17,015</u>		<u>\$ 40,785</u>

**L'ANSE AREA SCHOOLS**  
**DEBT SERVICE FUND**  
**SCHEDULES OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**Year Ended June 30, 2010**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>	<u>2009</u>
REVENUES:				
Local sources:				
Current taxes	\$ 583,851	\$ 554,486	\$ 29,365	\$ 547,019
Interest income	4,500	4,487	13	5,584
Other taxes	-	33,472	(33,472)	29,961
State sources	9,238	9,238	-	9,238
Penalties & interest on delinquent taxes	-	2,581	(2,581)	2,382
TOTAL REVENUES	<u>597,589</u>	<u>604,264</u>	<u>(6,675)</u>	<u>594,184</u>
EXPENDITURES:				
Interest on bonds	301,831	301,830	1	312,505
Other expenses	6,000	4,830	1,170	1,577
TOTAL EXPENDITURES	<u>307,831</u>	<u>306,660</u>	<u>1,171</u>	<u>314,082</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	289,758	297,604	(7,846)	280,102
OTHER FINANCING SOURCES (USES):				
Redemption of bond principal	<u>(312,670)</u>	<u>(312,670)</u>	-	<u>(302,321)</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	<u>\$ (22,912)</u>	<u>(15,066)</u>	<u>\$ (7,846)</u>	<u>(22,219)</u>
FUND BALANCE, BEGINNING OF YEAR		<u>176,031</u>		<u>198,250</u>
FUND BALANCE, END OF YEAR		<u>\$ 160,965</u>		<u>\$ 176,031</u>

**L'ANSE AREA SCHOOLS**  
**CAPITAL PROJECTS FUND**  
**SCHEDULES OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**Year Ended June 30, 2010**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>	<u>2009</u>
REVENUES:				
Contributions	\$ 12,000	\$ 26,065	\$ (14,065)	\$ 28,759
Intermediate sources	-	-	-	19,129
Sale of timber	-	-	-	806
Interest	<u>2,000</u>	<u>2,365</u>	<u>(365)</u>	<u>1,165</u>
TOTAL REVENUE	<u>14,000</u>	<u>28,430</u>	<u>(14,430)</u>	<u>49,859</u>
EXPENDITURES:				
Professional fees	-	-	-	3,600
Purchased Services	2,000	1,875	125	-
Miscellaneous	9,000	8,798	202	4,249
Other improvements	<u>59,000</u>	<u>70,211</u>	<u>(11,211)</u>	<u>58,812</u>
TOTAL EXPENDITURES	<u>70,000</u>	<u>80,884</u>	<u>(10,884)</u>	<u>66,661</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(56,000)	(52,454)	(3,546)	(16,802)
OTHER FINANCING SOURCES (USES)				
Operating transfers in (out)	<u>35,000</u>	<u>25,000</u>	<u>10,000</u>	<u>42,756</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	<u>\$ (21,000)</u>	<u>(27,454)</u>	<u>\$ 6,454</u>	<u>25,954</u>
FUND BALANCE, BEGINNING OF YEAR		<u>127,761</u>		<u>101,807</u>
FUND BALANCE, END OF YEAR		<u>\$ 100,307</u>		<u>\$ 127,761</u>

**L'ANSE AREA SCHOOLS**  
**AGENCY FUND - STUDENT ACTIVITIES**  
**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**Year Ended June 30, 2010**

	Balance July 1, 2009	Receipts	Disbursements	Balance June 30, 2010
<b>ASSETS:</b>				
Cash	\$ 76,601	\$ 129,496	\$ 149,696	\$ 56,401
<b>LIABILITIES:</b>				
Due to Student Groups:				
Elementary School	\$ 17,494	\$ 14,186	\$ 18,531	\$ 13,149
High School	59,107	115,310	131,165	43,252
<b>TOTAL LIABILITIES</b>	<b>\$ 76,601</b>	<b>\$ 129,496</b>	<b>\$ 149,696</b>	<b>\$ 56,401</b>

**L'ANSE AREA SCHOOLS**  
**SCHOLARSHIP TRUST FUND**  
**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**Year Ended June 30, 2010**

	<u>Balance</u> <u>July 1, 2009</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Balance</u> <u>June 30, 2010</u>
<b>ASSETS:</b>				
Investment	\$ 253,328	\$ 8,051	\$ 9,928	\$ 251,451
<b>LIABILITIES:</b>				
Berg Memorial	\$ 3,817	\$ 3,863	\$ 3,818	\$ 3,862
BHK	0	0	0	0
Board of Education	11,066	11,198	11,070	11,194
Community Action	0	0	0	0
Dubuque	332	336	332	336
Guay	25,810	26,115	26,719	25,206
Groleau	0	0	502	(502)
Guy	4,067	4,116	4,069	4,114
Higgins	46,837	48,397	48,354	46,880
Juntunen	18,214	18,430	18,721	17,923
McKindles Award	753	762	853	662
Putula	0	0	0	0
Roth	33,169	1,073	1,591	32,651
St. John	109,263	110,563	110,701	109,125
Turpeinen	0	0	0	0
<b>TOTAL LIABILITIES</b>	<u>\$ 253,328</u>	<u>\$ 224,853</u>	<u>\$ 226,730</u>	<u>\$ 251,451</u>

**L'ANSE AREA SCHOOLS**  
**TAX COLLECTION FUND**  
**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**Year Ended June 30, 2010**

	<u>Balance</u> <u>July 1, 2009</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Balance</u> <u>June 30, 2010</u>
<b>ASSETS:</b>				
Cash	\$ 16,242	\$ 3,580,907	\$ 3,575,529	\$ 21,620
<b>LIABILITIES:</b>				
Due to other governmental units	\$ 16,242	\$ 3,580,907	\$ 3,575,529	\$ 21,620

**L'ANSE AREA SCHOOLS  
FEDERAL AWARDS  
June 30, 2010**



Bruce A. Rukkila, CPA, PC

310 Sheldon Avenue • Houghton MI 49931  
(906) 482-6601 • Fax: (906) 482-9046  
e-mail: help@brucerukkila.com  
www.brucerukkila.com



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT  
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

To the Board of Education  
L'Anse Area Schools  
L'Anse, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of L'Anse Area Schools as of and for the year then ended June 30, 2010, which collectively comprise L'Anse Area Schools' basic financial statements and have issued our report thereon dated November 12, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered L'Anse Area Schools' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of L'Anse Area Schools' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of L'Anse Area Schools' internal control over financial reporting.

A deficiency in control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, that results in more than a remote likelihood that a material misstatement of the financial statements will be not be prevented, detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether L'Anse Area Schools' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the District's board of education, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

**Bruce A. Rukkila, CPA, PC**

Certified Public Accountants

November 12, 2010



Bruce A. Rukkila, CPA, PC

310 Sheldon Avenue • Houghton MI 49931  
(906) 482-6601 • Fax: (906) 482-9046  
e-mail: help@brucerukkila.com  
www.brucerukkila.com



**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE  
TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Education  
L'Anse Area Schools  
L'Anse, Michigan

Compliance

We have audited the compliance of L'Anse Area Schools with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2010. L'Anse Area Schools' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of L'Anse Area Schools' management. Our responsibility is to express an opinion on L'Anse Area Schools' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about L'Anse Area Schools' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on L'Anse Area Schools' compliance with those requirements.

In our opinion, L'Anse Area Schools complied, in all material respects, with the compliance requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

The management of L'Anse Area Schools is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered L'Anse Area Schools' internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of L'Anse Area Schools' internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the District's board of education, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

**Bruce A. Rukkila, CPA, PC**

Certified Public Accountants

November 12, 2010

**L'ANSE AREA SCHOOLS**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year Ended June 30, 2010**

Federal Grantor Pass Through Grantor Program Title	Federal CFDA Number	Approved Grant Award Amount	Accrued (Deferred) revenue July 1, 2009	Current Year Cash Receipts	Current Year Expenditures	Accrued (Deferred) Revenue June 30, 2010
<i>U.S. Department of Education:</i>						
Direct						
Indian Education - E-T003E000999	84.003E	\$ 483,500	\$ (1,000)	\$ 0	\$ 0	\$ (1,000)
Title VII - S060A040658	84.060A	46,014	1,837	47,851	46,014	0
Small Rural Achievement Grant - REAP	84.358A	16,683	0	16,683	16,683	0
P.L. 874 - Impact Aid	84.041	291,445	0	291,445	291,445	0
Total Direct		<u>837,642</u>	<u>837</u>	<u>355,979</u>	<u>354,142</u>	<u>(1,000)</u>
Passed through Michigan Department of Education						
Title I Part A Grant 101530-0910	84.010	120,331	0	117,454	127,464	10,010
ARRA Title I Part A Grant 101530-0910	84.389	65,292	0	20,107	25,209	5,102
Title I Part A Grant 091530-0809	84.010	124,750	15,759	15,759	0	0
		<u>310,373</u>	<u>15,759</u>	<u>153,320</u>	<u>152,673</u>	<u>15,112</u>
Title IIA Improving Teacher Quality 100520-0910	84.367	51,862	0	28,584	33,226	4,642
ARRA Title IID 104295-0910	84.386	2,651	0	0	2,651	2,651
Title IIA Improving Teacher Quality 090520-0809	84.367	43,678	7,516	7,516	0	0
		<u>98,191</u>	<u>7,516</u>	<u>36,100</u>	<u>35,877</u>	<u>7,293</u>
Title IID 104290-0910	84.367	966	0	966	966	0
Title III Limited English 100580-0910	84.365	28,688	0	0	14,288	14,288
Title III Limited English 090580-0809	84.365	13,325	635	635	0	0
		<u>42,013</u>	<u>635</u>	<u>635</u>	<u>14,288</u>	<u>14,288</u>
ARRA Education Stabilization Fund	84.394	289,129	289,129	289,129	0	0
ARRA Education Stabilization Fund	84.394	218,027	0	183,720	218,027	34,307
		<u>507,156</u>	<u>289,129</u>	<u>472,849</u>	<u>218,027</u>	<u>34,307</u>
Total Passed through M.D.E.		<u>958,699</u>	<u>313,039</u>	<u>663,870</u>	<u>421,831</u>	<u>71,000</u>

**L'ANSE AREA SCHOOLS**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year Ended June 30, 2010**  
**(Continued)**

Federal Grantor Pass Through Grantor Program Title	Federal CFDA Number	Approved Grant Award Amount	Accrued (Deferred) revenue July 1, 2009	Current Year Cash Receipts	Current Year Expenditures	Accrued (Deferred) Revenue June 30, 2010
Passed through Copper Country ISD						
ARRA Special Education	84.391	57,439	0	57,439	57,439	0
Healthy Hearts for Life	84.215F	10,798	(5,879)	0	3,414	(2,465)
		<u>68,237</u>	<u>(5,879)</u>	<u>57,439</u>	<u>60,853</u>	<u>(2,465)</u>
Total U.S. Dept of Education		<u>1,864,578</u>	<u>307,997</u>	<u>1,077,288</u>	<u>836,826</u>	<u>67,535</u>
<i>U.S. Department of Agriculture:</i>						
Passed Through Michigan Dept of Education						
National School Lunch						
Section 4 - All Lunches	10.555	16,625	0	16,489	18,948	2,460
Section 11 - Free & Reduced	10.555	99,834	503	75,583	99,834	24,754
Snacks	10.555	1,945	89	1,956	2,397	529
		<u>118,404</u>	<u>592</u>	<u>94,028</u>	<u>121,179</u>	<u>27,743</u>
Breakfast	10.533	34,229	259	25,487	33,970	8,742
		<u>152,633</u>	<u>851</u>	<u>119,515</u>	<u>155,149</u>	<u>36,485</u>
Food Distributions- Entitlement Commodities	10.550	16,164	0	16,164	16,164	0
Food Distributions- Bonus Commodities	10.550	589	0	589	589	0
		<u>16,753</u>	<u>0</u>	<u>16,753</u>	<u>16,753</u>	<u>0</u>
		<u>169,386</u>	<u>851</u>	<u>136,268</u>	<u>171,902</u>	<u>36,485</u>
Passed Through Houghton County						
Ottawa National Forest	10.670	95,626	0	95,626	95,626	0
Total U.S. Dept of Agriculture		<u>265,012</u>	<u>851</u>	<u>231,894</u>	<u>267,528</u>	<u>36,485</u>
TOTALS		<u>\$ 2,129,590</u>	<u>\$ 308,848</u>	<u>\$ 1,309,182</u>	<u>\$ 1,104,354</u>	<u>\$ 104,020</u>

The accompanying notes to financial statements are an integral part of this statement.

**NOTE A - OVERSIGHT AGENCY**

The U. S. Department of Education is the current year's oversight agency for the single audit as determined by the agency providing the largest share of the school's expenditures of federal awards.

**NOTE B - BASIS OF ACCOUNTING**

The Schedule of Expenditures of Federal Awards has been prepared on the accrual basis of accounting.

**NOTE C - FINAL COST REPORT - FORM DS4044**

The final cost reports are not due until 60 days after the end of the grant period. The reports for the current year grants were not completed as of the date of our report. However, we reviewed the reports filed for the prior year grants and noted that they agreed with either the prior year audited figures or the prior year and current year audit figures combined.

**NOTE D - SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS RECONCILIATION**

A reconciliation of expenditures on the Schedule of Expenditures of Federal Awards to federal revenue recognized on page 17 of these financial statements is \$1,104,354. The amounts reported as current payments on the MDE grant auditor reports reconcile with the Schedule of Expenditures of Federal Awards as follows:

Total current payments per MDE grant auditor reports	\$	819,047
Prior year grants reported		(347,924)
Payments received through other sources		529,211
Accrued/deferred grant revenue		104,020
Schedule of Expenditures of Federal Awards	\$	<u>1,104,354</u>

**L'ANSE AREA SCHOOLS**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the year ended June 30, 2010**

**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

***Financial Statements***

Type of auditor's report issued: Unqualified

Internal Control over financial reporting:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? None Reported

Noncompliance material to financial statements noted? No

***Federal Awards***

Internal control over major programs:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? None Reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 520(a) of Circular A-133? No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
84.394	ARRA - Education Stabilization Fund
10.555	National School Lunch Program
10.553	Nation School Lunch Breakfast
10.550	Food Distributions- Entitlement Commodities

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? Yes

**SECTION II - FINANCIAL STATEMENT FINDINGS**

No matters were reported.

**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

No matters were reported.